

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------------|---|-----------------|
| THE APPLICATION OF CEDARBROOK |) | |
| TREATMENT PLANT FOR A RATE ADJUSTMENT |) | |
| PURSUANT TO THE ALTERNATIVE RATE |) | CASE NO. 92-327 |
| FILING PROCEDURE FOR SMALL UTILITIES |) | |

O R D E R

On August 5, 1992, R. A. Williams Company, Inc., doing business as the Cedarbrook Treatment Plant ("Cedarbrook"), applied for an increase in its rates for sewer service. The proposed rates for sewer service would generate additional annual revenues of \$6,642, an increase of 80 percent above normalized test-year revenues.

In August 1992, Commission Staff conducted a field review of Cedarbrook's test-period financial records. Based upon this review, Commission Staff issued its report on November 17, 1992, recommending that Cedarbrook be allowed to increase its normalized operating revenues by \$6,642.

On November 17, 1992, the Commission granted all parties 15 days in which to file comments on the Staff Report or request a hearing or the case would stand submitted to the Commission for decision. Several customers of the Cedarbrook Treatment Plant requested an informal conference which was held on January 13, 1993. A public hearing on the application was held on April 6, 1993.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report, except as noted below, are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

2. Cedarbrook made no provision in its application for expenses to prosecute its application. As a result, the Staff Report failed to provide for such expenses. At the hearing on April 6, 1993, Cedarbrook requested that its rate case expenses be included in any rate adjustment. Such expenses, where reasonable, should be considered in establishing Cedarbrook's revenue requirements and its rates. Cedarbrook incurred rate case expenses of \$1,073. Approximately \$892 of these expenses are reasonable.¹ These expenses should be amortized over a three-year period.

3. Based upon the addition of \$297 of rate case expenses² and the application of an operating ratio of 88 percent, Cedarbrook has a revenue requirement of \$15,258.

4. The rates in Appendix A, which is attached hereto and incorporated herein, are the fair, just, and reasonable rates for

¹ Approximately \$181 of Cedarbrook's total rate case expenses were incurred for the scheduled March 10, 1993 hearing. Since this hearing was not held because of Cedarbrook's failure to publish notice, any expenses for this hearing are not reasonably incurred and are disallowed for rate-making purposes.

² $\$892 \div 3 \text{ years} = \$297/\text{year}$

Cedarbrook and will produce gross annual revenues of \$15,258. These rates will allow Cedarbrook sufficient revenues to meet its operating expenses and provide for future equity growth, including provisions for servicing its debt.

IT IS THEREFORE ORDERED that:

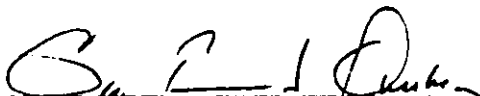
1. The rates proposed by Cedarbrook in its application are denied.

2. The rates contained in Appendix A are approved for service rendered by Cedarbrook on and after the date of this Order.

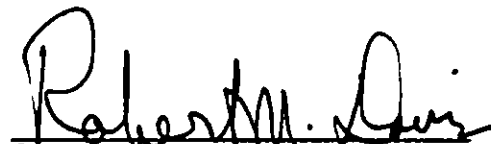
3. Within 30 days of the date of this Order, Cedarbrook shall file with the Commission its revised tariff setting out the rates approved for service rendered on and after the date of this Order.

Done at Frankfort, Kentucky, this 1st day of June, 1993.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 92-327 DATED June 1, 1993.

The following rates and charges are prescribed for the customers in the area served by R. A. Williams Company, Inc., doing business as the Cedarbrook Treatment Plant. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

| <u>Customer Class</u> | <u>Rate</u> |
|-----------------------------|-------------------|
| Residential (Single Family) | \$23.55 per month |